NPCI/UPI/OC No. 237/2026-27

15th September 2026

To,

All Members, Unified Payments Interface (UPI)

Dear Sir / Madam,

Subject: Merchant Discount Rate (MDR) for UPI P2M (Person to Merchant) transactions above ₹ 2,000/-

This is with reference to Gazette Notification No. CG-DL-E-14092026-276170 dated 14th September 2026 (Annexure A). A sustainable MDR framework will support onboarding of next wave of digital payment adopters, particularly across Tier 3 and beyond markets, while enabling greater investments in customer / merchant acquisition, cyber-security and fraud prevention. This will ensure long-term sustainability, security and inclusivity of UPI, further strengthening its position as the most preferred payment platform for every Indian Citizen.

The proposal of MDR and its distribution was presented in the UPI and Services Steering Committee held on 15th September 2026. The Steering Committee has endorsed the following:

1. All Person-to-Person (P2P) transactions shall continue to remain free of charge for customers.
2. MDR at the rate of 0.40% will be applicable on P2M transactions above ₹ 2,000/- subject to cap of ₹300.
3. Distribution of MDR will be in line with distribution made in the Incentive scheme for promotion of low-value UPI transactions (P2M), and as following:

MDR (to be paid by the Merchant to Acquiring Bank)	Interchange (to be paid by Acquiring Bank to Issuer)	PSP Fee (to be paid by the Issuer to Payer PSP)	App Provider Fee (to be paid by the Payer PSP to App Provider)
Not exceeding 0.40%	0.28%	0.12%	0.08%

Notes:

a) *Above rates are exclusive of GST as applicable from time to time (at present, the multiplier of 1.1092 will be applicable)*

b) *Mandate-related pricing is excluded from the scope of this circular and shall continue as per the previous UPI circulars issued from time to time*

4. MDR applicable to Capital Market transactions (Mutual Funds, Securities, Brokers and Dealers) shall be 0.02% of the transaction value, subject to cap of ₹ 300. The distribution of MDR among participants shall be as prescribed in point number 3 above.

1001A, The Capital, B Wing, 10th Floor,
Bandra Kurla Complex, Bandra (E), Mumbai 400 051.
T: +91 22 40009100 F: +91 22 40009101
contact@npci.org.in www.npci.org.in
CIN: U74990MH2008NPL189067

5. The P2PM category (refer to UPI Operating Circular # 189 dated 11th March 2024) promotes digital payment acceptance among small merchants and the unorganised retail sector. To support these segments, the following criteria shall continue to apply:
    a. Zero MDR shall continue to apply to P2PM transactions;
    b. Receiving monthly inward credits of maximum up to ₹1,00,000;
    c. Applicable only for merchant receiving instant credit for UPI payments directly into their own account
6. For Industry Program Merchant Category, the MDR and its distribution will be as per Annexure B.
7. In cases where a merchant is acquired by an Authorized Payment Aggregator (PA), the Acquiring Bank's share of MDR shall be distributed between the Acquiring/Sponsor Bank and the PA in accordance with the terms of their business agreement.
8. Acquiring Banks are advised to ensure that merchants on-boarded by them do not pass on MDR charges to customers while accepting payments through UPI.
9. UPI App providers shall not charge Platform Fee or any other charge for any payment made through UPI.
10. To promote the acquisition and growth of small merchants (turnover ≤ INR 20 lakh per annum), it is proposed to establish a dedicated fund out of the proposed MDR, with a contribution of 5% of share (excluding Industry Program categories) from each entity. The detailed framework will be finalised in consultation with Reserve Bank of India (RBI) within the next three months.

MDR rate and distribution mechanism shall be reviewed periodically.

This shall be applicable from 15th October 2026.

Member banks are requested to take note of the above and bring the content of the circular to the notice of the concerned.

Yours faithfully,

Sohini Rajola
Executive Director - Growth

Annexure B – Industry Program

Sr. No.	MCC Description	MDR and Its distribution for transaction above ₹ 2,000			
		MDR (to be paid by the Merchant to Acquiring Bank)	**Interchange (to be paid by the Acquiring Bank to Issuer)**	**PSP Fee (to be paid by the Issuer to Payer PSP)**	**App Provider Fee (to be paid by the Payer PSP to App Provider)**
Investment Categories					
1	**Debt Collection** 7322 - Debt collection agencies 5413 - Credit card bill payment	₹5	₹3.5	₹1.50	₹1
Other Categories					
2	**Fuel** 5541 - Service Stations 5542 - Automated Fuel Dispensers 5983- Fuel Dealers: fuel oil, wood, coal and liquified petroleum	₹5	₹3.5	₹1.50	₹1
3	**Agriculture** 0820 - Fertilizer Dealers 0821 - Pesticides / Insecticides 0822 – Seeds 0823 - Farm Equipment 0824 - Agricultural Machinery 0825 - Other Agri Inputs	₹5	₹3.5	₹1.50	₹1
4	**Railways (IRCTC)** 4111 - Local and suburban commuter passenger transportation, including ferries 4112 - Passenger railways	₹5	₹3.5	₹1.50	₹1
5	**Bill Payments** 4814 - Telecommunication services, including local and long distance calls, credit card calls, calls through use of magnetic stripe reading telephones and faxes 4899- Cable and other pay television services 4900 - Utilities electric, gas, water and sanitary	₹5	₹3.5	₹1.50	₹1
6	**Government** 9211 - Court costs, including alimony and child support 9222 – Fines 9311- Tax payments 9399 - Government services not elsewhere classified 9402- Postal Services 9405 - Government services, intra-Government Purchases, Government only	₹5	₹3.5	₹1.50	₹1
7	**Insurance** 5960 - Direct marketing - insurance services 6300 - Insurance sales, underwriting and premiums 6529 – Public Sector Insurance Company	₹5	₹3.5	₹1.50	₹1

8	**Education** 8211 - Elementary and secondary schools 8220 - Colleges, universities, professional schools and junior colleges 8241 - Correspondence schools 8244 - Business and secretarial schools 8249 - Trade and vocational schools 8299 - Schools and Educational Services (Not Elsewhere Classified)	₹5	₹3.5	₹1.50	₹1
9	**Wallet top-up** 6540 - Wallet top-up	₹5	₹3.5	₹1.50	₹1
10	**Tolls and Bridges**(including FastTag) 4784 - Tolls and Bridges fees	₹5	₹3.5	₹1.50	₹1

Above rates are exclusive of GST as applicable from time to time (at present, the multiplier of 1.1092 will be applicable)